

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF REESE**

Tuscola County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2008

# VILLAGE OF REESE

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& COMPANY

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## INDEPENDENT AUDITORS' REPORT

To the Village Council  
Village of Reese, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Reese's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Berthiaume & Co.*

Saginaw, Michigan  
June 11, 2008

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

# VILLAGE OF REESE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

### Overview of the Financial Statements:

The Village of Reese's discussion and analysis is a narrative overview of the Village's financial activities for the fiscal year ended March 31, 2008. The information presented here should be read in conjunction with the financial statements and the notes to the financial statements that follow.

### Government-wide Financial Statements:

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report the Village's net assets and how they have changed. Net assets – the difference between the Village's assets and liabilities – are one way to measure the Village's financial health.

The government-wide financial statements of the Village are divided into three categories:

**Governmental Activities** – Most of the Village's basic services are included here, such as the public safety, public works, and recreation departments, and general administration. Property taxes, State-shared revenue, charges for services, grants, and transfers provide much of the funding.

**Business-type Activities** – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer system is included here.

### Fund Financial Statements:

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting tools that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has three kinds of funds:

**Governmental Funds** – Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs.

**Proprietary Funds** – Services to which the Village charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.

**Fiduciary Funds** – The Village is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the Village cannot use these assets to finance its operations.

# VILLAGE OF REESE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

### Government-Wide Financial Analysis:

The following table shows, in a condensed format, the statement of net assets at March 31, 2008 and 2007:

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Assets:</b>						
Other assets	\$ 633,921	\$ 840,472	\$ 82,555	\$ 127,444	\$ 716,476	\$ 967,916
Capital assets	<u>2,933,262</u>	<u>1,557,846</u>	<u>1,242,524</u>	<u>1,182,002</u>	<u>4,175,786</u>	<u>2,739,848</u>
Total assets	<u>3,567,183</u>	<u>2,398,318</u>	<u>1,325,079</u>	<u>1,309,446</u>	<u>4,892,262</u>	<u>3,707,764</u>
<b>Liabilities:</b>						
Other liabilities	39,776	12,107	-	350	39,776	12,457
Long-term liabilities	<u>584,157</u>	<u>132,118</u>	<u>-</u>	<u>-</u>	<u>584,157</u>	<u>132,118</u>
Total liabilities	<u>623,933</u>	<u>144,225</u>	<u>-</u>	<u>350</u>	<u>623,933</u>	<u>144,575</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	2,349,105	1,425,728	1,242,524	1,182,002	3,591,629	2,607,730
Restricted	159,337	214,201	-	-	159,337	214,201
Unrestricted	<u>434,808</u>	<u>614,164</u>	<u>82,555</u>	<u>127,094</u>	<u>517,363</u>	<u>741,258</u>
Total net assets	<u>\$ 2,943,250</u>	<u>\$ 2,254,093</u>	<u>\$ 1,325,079</u>	<u>\$ 1,309,096</u>	<u>\$ 4,268,329</u>	<u>\$ 3,563,189</u>

# VILLAGE OF REESE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

### Government-Wide Financial Analysis, continued:

The following table shows, in a condensed format, the changes in net assets for fiscal years 2008 and 2007:

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 169,849	\$ 208,328	\$ 137,518	\$ 109,709	\$ 307,367	\$ 318,037
Operating grants	196,687	199,402	-	-	196,687	199,402
Capital grants	636,812	3,000	-	497,503	636,812	500,503
General revenues						
Property taxes	350,465	330,063	-	-	350,465	330,063
Franchise taxes	-	-	-	-	-	-
State revenue sharing	136,660	138,367	-	-	136,660	138,367
Investment earnings	31,562	31,306	3,849	6,450	35,411	37,756
Miscellaneous	-	-	-	-	-	-
Total revenues	<u>1,522,035</u>	<u>910,466</u>	<u>141,367</u>	<u>613,662</u>	<u>1,663,402</u>	<u>1,524,128</u>
<b>Expenses:</b>						
General government	155,906	148,254	-	-	155,906	148,254
Public safety	278,334	245,980	-	-	278,334	245,980
Public works	329,627	351,100	-	-	329,627	351,100
Health and welfare	-	-	-	-	-	-
Community and economic development	3,480	4,366	-	-	3,480	4,366
Recreation and culture	43,631	32,786	-	-	43,631	32,786
Interest on long-term debt	21,903	8,147	-	-	21,903	8,147
Sewer	-	-	125,384	118,100	125,384	118,100
Total expenses	<u>832,881</u>	<u>790,633</u>	<u>125,384</u>	<u>118,100</u>	<u>958,265</u>	<u>908,733</u>
Excess of revenues over expenses before other	<u>689,154</u>	<u>119,833</u>	<u>15,983</u>	<u>495,562</u>	<u>705,137</u>	<u>615,395</u>
<b>Other items:</b>						
Gain on sale of capital assets	3	300	-	127	3	427
Transfers	-	(3,842)	-	3,842	-	-
Total other items	<u>3</u>	<u>(3,542)</u>	<u>-</u>	<u>3,969</u>	<u>3</u>	<u>427</u>
<b>Change in net assets</b>	<u>689,157</u>	<u>116,291</u>	<u>15,983</u>	<u>499,531</u>	<u>705,140</u>	<u>615,822</u>
Net assets, beginning of year	<u>2,254,093</u>	<u>2,137,802</u>	<u>1,309,096</u>	<u>809,565</u>	<u>3,563,189</u>	<u>2,947,367</u>
Net assets, end of year	<u>\$ 2,943,250</u>	<u>\$ 2,254,093</u>	<u>\$ 1,325,079</u>	<u>\$ 1,309,096</u>	<u>\$ 4,268,329</u>	<u>\$ 3,563,189</u>



# VILLAGE OF REESE

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2008

### **The Village's Funds:**

The fund financial statements begin on page 10 and provide detailed information on the most significant governmental funds – not the Village as a whole. The Village Council creates funds to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The Village's major governmental funds for the 2007-2008 fiscal year include the General Fund, Fire Department Fund, and Capital Project Fund.

Another major fund is the Sewer Fund, which is categorized as an Enterprise or business-type fund. This fund operates on revenues received from the customers (users) of the sewer system.

### **General Fund Budgetary Highlights:**

Over the course of the year, the Village amended the budget to take into account various expenditures or revenue changes. These amendments were relatively minor.

### **Capital Assets and Debt Administration:**

During the 2007-2008 fiscal year, the Village invested approximately \$1,480,000 in governmental capital assets. The major project was the streetscape with the Village expending approximately \$610,000 and the State contributing and expending federal and state funds of approximately \$631,000. The Village's investment in business-type capital assets was approximately \$101,000 for a sewer line extension.

During the 2007-2008 fiscal year, the Village issued a \$400,000 bond for the streetscape project. The Village also made principal payments of approximately \$27,000 during the year on a bond and note payable.

### **Economic Factors:**

The Village continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the Village is facing in upcoming years. The major sources of revenue for the Village are property taxes, State-shared revenues, and charges for services. These sources have certain limitations outside of the Village's control – taxable value of property in the Village has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the Village in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation, such as health insurance, utility costs, and gasoline expenses.

We are continuing to plan for the long term, and will continue to balance the budgets through controls over spending, while striving to provide the Village's residents with the same level of service to which they have become accustomed.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Village Manager, 2073 Gates Street, P.O. Box 369, Reese, Michigan 48757.

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF REESE

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## STATEMENT OF NET ASSETS

March 31, 2008

	<i><u>Governmental</u></i> <i><u>Activities</u></i>	<i><u>Business-type</u></i> <i><u>Activities</u></i>	<i><u>Total</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 517,207	\$ 74,726	\$ 591,933
Receivables	107,903	16,640	124,543
Internal balances	8,811	(8,811)	-
Capital assets:			
Nondepreciable capital assets	239,724	51,650	291,374
Depreciable capital assets, net	<u>2,693,538</u>	<u>1,190,874</u>	<u>3,884,412</u>
Total assets	<u>3,567,183</u>	<u>1,325,079</u>	<u>4,892,262</u>
<b>Liabilities:</b>			
Accounts payable and accrued expenses	28,076	-	28,076
Deferred revenue	11,700	-	11,700
Long-term liabilities:			
Due within one year	54,579	-	54,579
Due in more than one year	<u>529,578</u>	<u>-</u>	<u>529,578</u>
Total liabilities	<u>623,933</u>	<u>-</u>	<u>623,933</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,349,105	1,242,524	3,591,629
Restricted for:			
Streets	159,337	-	159,337
Unrestricted	<u>434,808</u>	<u>82,555</u>	<u>517,363</u>
Total net assets	<u>\$ 2,943,250</u>	<u>\$ 1,325,079</u>	<u>\$ 4,268,329</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

<b>Functions/Programs</b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net (Expense) Revenue</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	
<i>Governmental activities:</i>					
General government	\$ 155,906	\$ 34,436	\$ -	\$ -	\$ (121,470)
Public safety	278,334	3,449	33,946	5,000	(235,939)
Public works	329,627	125,809	152,741	631,812	580,735
Community and economic development	3,480	-	-	-	(3,480)
Recreation and culture	43,631	6,155	10,000	-	(27,476)
Interest on long-term debt	21,903	-	-	-	(21,903)
Total governmental activities	<u>\$ 832,881</u>	<u>\$ 169,849</u>	<u>\$ 196,687</u>	<u>\$ 636,812</u>	<u>\$ 170,467</u>
<i>Business-type activities:</i>					
Sewer	\$ 125,384	\$ 137,518	\$ -	\$ -	\$ 12,134
Total business-type activities	<u>\$ 125,384</u>	<u>\$ 137,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,134</u>

*The accompanying notes are an integral part of these financial statements.*

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	<i><b>Governmental Activities</b></i>	<i><b>Business- type Activities</b></i>	<i><b>Total</b></i>
<i>Changes in net assets:</i>			
Net (Expense) Revenue	\$ 170,467	\$ 12,134	\$ 182,601
General revenues:			
Taxes:			
Property taxes, levied for general purpose	298,412	-	298,412
Property taxes, levied for fire apparatus	26,337	-	26,337
Property taxes, levied for sidewalks	25,716	-	25,716
Grants and contributions not restricted to specific programs	136,660	-	136,660
Unrestricted investment earnings	31,562	3,849	35,411
Special item - Gain on sale of capital asset	3	-	3
Total general revenues and special items	518,690	3,849	522,539
Change in net assets	689,157	15,983	705,140
Net assets, beginning of year	2,254,093	1,309,096	3,563,189
Net assets, end of year	\$ 2,943,250	\$ 1,325,079	\$ 4,268,329

# VILLAGE OF REESE

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2008

	<i>Major Governmental Funds</i>				
	<i>General Fund</i>	<i>Fire Department Fund</i>	<i>Capital Project Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 329,165	\$ 3,362	\$ 42,291	\$ 142,389	\$ 517,207
Taxes receivable	4,067	-	-	715	4,782
Accounts receivable	17,436	-	-	-	17,436
Due from other governmental units	18,177	-	-	67,508	85,685
Due from other funds	9,768	11,256	-	2,108	23,132
Total assets	<u>\$ 378,613</u>	<u>\$ 14,618</u>	<u>\$ 42,291</u>	<u>\$ 212,720</u>	<u>\$ 648,242</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 15,215	\$ 2,918	\$ -	\$ 1,936	\$ 20,069
Accrued expenses	35	-	-	-	35
Due to other governmental units	6	-	-	-	6
Due to other funds	9,093	-	-	5,228	14,321
Deposits payable	-	-	-	125	125
Deferred revenue	-	11,700	-	-	11,700
Total liabilities	<u>24,349</u>	<u>14,618</u>	<u>-</u>	<u>7,289</u>	<u>46,256</u>
<b>Fund balances:</b>					
Unreserved:					
General fund	354,264	-	-	-	354,264
Special revenue funds	-	-	-	205,431	205,431
Capital project fund	-	-	42,291	-	42,291
Total fund balances	<u>354,264</u>	<u>-</u>	<u>42,291</u>	<u>205,431</u>	<u>601,986</u>
Total liabilities and fund balances	<u>\$ 378,613</u>	<u>\$ 14,618</u>	<u>\$ 42,291</u>	<u>\$ 212,720</u>	<u>\$ 648,242</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2008

**Total fund balances for governmental funds** \$ 601,986

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	3,820,786	
Less accumulated depreciation	<u>(887,524)</u>	2,933,262

Interest payable in the governmental activities are not payable from current  
resources and therefore are not reported in the governmental funds. (7,841)

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Bonds payable	(505,000)	
Contract payable	<u>(79,157)</u>	<u>(584,157)</u>

**Net assets of governmental activities** \$ 2,943,250

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i>Major Governmental Funds</i>				
	<i>General Fund</i>	<i>Fire Department Fund</i>	<i>Capital Project Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>					
Property taxes	\$ 298,819	\$ -	\$ -	\$ 52,053	\$ 350,872
Federal grants	-	-	473,859	-	473,859
State grants	143,370	-	157,953	113,549	414,872
Contributions from other units	-	27,488	-	39,192	66,680
Charges for services	137,796	-	-	-	137,796
Fines and forfeits	53	-	-	-	53
Interest and rents	64,205	665	6,369	13,928	85,167
Other revenue	31,187	655	120	21,683	53,645
Total revenues	<u>675,430</u>	<u>28,808</u>	<u>638,301</u>	<u>240,405</u>	<u>1,582,944</u>
<b>Expenditures:</b>					
Current					
General government	148,512	-	-	-	148,512
Public safety	149,133	40,044	-	17,294	206,471
Public works	234,340	-	120	112,229	346,689
Community and economic development	3,480	-	-	-	3,480
Recreation and culture	4,771	-	-	36,148	40,919
Other	4,147	-	-	-	4,147
Capital outlay	61,443	142,048	995,565	298,026	1,497,082
Debt service					
Principal	10,000	39,579	-	17,118	66,697
Interest and fees	6,430	-	325	9,602	16,357
Total expenditures	<u>622,256</u>	<u>221,671</u>	<u>996,010</u>	<u>490,417</u>	<u>2,330,354</u>
Excess (deficiency) of revenues over expenditures	<u>53,174</u>	<u>(192,863)</u>	<u>(357,709)</u>	<u>(250,012)</u>	<u>(747,410)</u>
<b>Other financing sources (uses):</b>					
Proceeds from contracts/bonds	-	118,736	400,000	-	518,736
Transfers from other funds	-	67,632	-	176,315	243,947
Transfers to other funds	(210,240)	(12,000)	-	(21,707)	(243,947)
Total other financing sources (uses)	<u>(210,240)</u>	<u>174,368</u>	<u>400,000</u>	<u>154,608</u>	<u>518,736</u>
Net change in fund balances	(157,066)	(18,495)	42,291	(95,404)	(228,674)
Fund balances, beginning of year	511,330	18,495	-	300,835	830,660
Fund balances, end of year	<u>\$ 354,264</u>	<u>\$ -</u>	<u>\$ 42,291</u>	<u>\$ 205,431</u>	<u>\$ 601,986</u>

The accompanying notes are an integral part of these financial statements.



# VILLAGE OF REESE

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## RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2008

**Net change in fund balances - total governmental funds** \$ (228,674)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,480,531	
Less depreciation expense	(98,548)	
Less loss on disposal of capital assets	<u>(6,567)</u>	1,375,416

Bond proceeds are revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. (518,736)

Repayments of principal on long-term obligations are expenditures in governmental but the payments reduce long-term liabilities in the statement of net assets. 66,697

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in accrued interest on bonds	<u>(5,546)</u>
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**Change in net assets of governmental activities** \$ 689,157

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## *PROPRIETARY FUND* **STATEMENT OF NET ASSETS**

March 31, 2008

	<u><i>Sewer Fund</i></u>
<b>Assets:</b>	
<b><i>Current assets:</i></b>	
Cash and cash equivalents	\$ 74,726
Accounts receivable	16,640
Due from other funds	<u>956</u>
Total current assets	<u>92,322</u>
<b><i>Noncurrent assets:</i></b>	
Capital assets:	
Nondepreciable capital assets	51,650
Depreciable capital assets, net	<u>1,190,874</u>
Total noncurrent assets	<u>1,242,524</u>
Total assets	<u>1,334,846</u>
<b>Liabilities:</b>	
<b><i>Current liabilities:</i></b>	
Due to other funds	<u>9,767</u>
Total current liabilities	<u>9,767</u>
Total liabilities	<u>9,767</u>
<b>Net assets:</b>	
Invested in capital assets, net of related debt	1,242,524
Restricted for:	
Unrestricted	<u>82,555</u>
Total net assets	<u>\$ 1,325,079</u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## PROPRIETARY FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<i><b>Sewer Fund</b></i>
<b>Operating revenues:</b>	
Charges for services	\$ 98,179
Connection fees	31,940
Equipment rental	5,785
Other	<u>1,614</u>
Total operating revenues	<u>137,518</u>
<b>Operating expenses:</b>	
Personnel	24,718
Fringe benefits	6,964
Supplies	6,175
Contracted services	5,778
Administrative expense	10,000
Printing and publishing	29
Insurance	8,783
Utilities	3,971
Repairs and maintenance	836
Equipment rental	9,237
Other services and supplies	8,063
Depreciation	<u>40,830</u>
Total operating expenses	<u>125,384</u>
Operating income (loss)	<u>12,134</u>
<b>Non-operating revenues (expenses):</b>	
Interest income	<u>3,849</u>
Total non-operating revenues (expenses)	<u>3,849</u>
Net income (loss)	15,983
Net assets, beginning of year	<u>1,309,096</u>
Net assets, end of year	<u><u>\$ 1,325,079</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## *PROPRIETARY FUND*

### STATEMENT OF CASH FLOWS

Year Ended March 31, 2008

	<i><u>Sewer Fund</u></i>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 131,445
Receipts from interfund services	12,634
Payments to employees	(24,718)
Payments to suppliers	<u>(60,186)</u>
Net cash provided by operating activities	<u>59,175</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	<u>(101,352)</u>
Net cash used by capital and related financing activities	<u>(101,352)</u>
<b>Cash flows from investing activities:</b>	
Interest	<u>3,849</u>
Net cash provided by investing activities	<u>3,849</u>
Net increase in cash and cash equivalents	(38,328)
Cash and cash equivalents, beginning of year	<u>113,054</u>
Cash and cash equivalents, end of year	<u><u>\$ 74,726</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 12,134
Adjustments:	
Depreciation	40,830
Change in assets and liabilities:	
Accounts receivable	(288)
Due from other funds	(545)
Accounts payable	(350)
Due to other funds	<u>7,394</u>
Net cash provided by operating activities	<u><u>\$ 59,175</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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*FIDUCIARY FUND*  
**STATEMENT OF NET ASSETS**  
March 31, 2008

	<i><b>Pension Trust Fund</b></i>
<b>Assets:</b>	
Cash and cash equivalents	\$ 231,834
Total assets	<u>231,834</u>
<b>Net Assets:</b>	
Held in trust for employee pension	<u>231,834</u>
Total net assets	<u><u>\$ 231,834</u></u>

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF REESE

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## *FIDUCIARY FUND*

### STATEMENT OF CHANGES IN NET ASSETS

Year Ended March 31, 2008

	<i><u>Pension Trust Fund</u></i>
<b>Additions:</b>	
Employer contributions	\$ 21,178
Investment income (loss)	<u>(6,301)</u>
Total additions	<u>14,877</u>
<b>Deductions:</b>	
Distributions and other	<u>676</u>
Total deductions	<u>676</u>
Net increase (decrease)	14,201
Net assets, beginning of year	<u>217,633</u>
Net assets, end of year	<u><u>\$ 231,834</u></u>

*The accompanying notes are an integral part of these financial statements.*

## ***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2008

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The Village of Reese is a general law village. The Village operates on a Council-Manager form of government and provides services to approximately 1,500 citizens.

The accounting policies of the Village of Reese conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units required to be included in the Village's reporting entity.

#### **Joint Ventures:**

**Blumfield-Reese Water Authority** – The Village of Reese and Blumfield Township jointly established the Blumfield-Reese Water Authority in 1968. The Authority was organized in order to construct, operate and maintain certain water storage, transmission and distribution facilities and to provide the two municipalities with water it purchases from the City of Saginaw. The Village and the Township have provided financial backing for various debt obligations of the Authority. Separate financial statements can be obtained by contacting the Blumfield-Reese Water Authority, 12810 East Washington, Reese, Michigan 48757.

**Fire Agreement** – During the year, the Village and Blumfield Township agreed to dissolve the previously operated Blumfield-Reese joint fire department effective September 1, 2007. In connection with the dissolution, the Village has agreed to compensate the Township for its fifty percent (50%) interest in the joint fire department equipment and vehicles. Payments of \$39,579 will be paid to Blumfield Township each September 1 for three years for a total of \$118,736. The first payment was due September 1, 2007. The Village's costs related to this fire agreement are accounted for in the Fire Department Fund, a Special Revenue Fund.



# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

#### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Fire Department Fund** is used to account for the costs related to the operation of the fire department.

The **Capital Project Fund** is used to account for the bond proceeds and costs of the streetscape project.

The Village reports the following major enterprise fund:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

Additionally, the Village reports the following fiduciary fund type:

The **Pension Trust Fund** accounts for the activities of the Village's retirement plan which accumulates resources for pension benefit payments on a defined contribution basis.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

### **Assets, Liabilities and Equity:**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments with a maturity when purchased of three months or less.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15-50 years
Furniture and equipment	5-10 years
Infrastructure	50 years
Land improvements	20 years
Machinery and equipment	5-25 years
Vehicles	8-15 years

**Compensated Absences** – Employees are not allowed to accumulate vacation and sick days; therefore, no liability is recorded in the government-wide financial statements and the proprietary fund financial statements.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Properties are assessed as of December 31. The related property taxes become a lien on July 1 of the following year. These taxes are billed on September 15 with the final collection date of March 1 before they are added to the county tax rolls.

The 2007 taxable valuation of the Village totaled \$27,264,777 for Tuscola County and \$225,420 for Saginaw County, on which ad valorem taxes levied consisted of 10.5000 mills for the Village’s operating purposes, .9231 mills for sidewalks, and .9454 for fire apparatus. The sidewalks and fire apparatus are both special voted millages.

The delinquent real property taxes of the Village are purchased by Tuscola County and Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village Council.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

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### **NOTE 3: DEPOSITS AND INVESTMENTS**

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority. The Village's deposits and investments are subject to risk, which is examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$602,082 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$200,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with acceptable estimated risk level are used as depositories.

The Village had no investments at March 31, 2008.

# VILLAGE OF REESE

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

### NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets				
Land	\$ 239,724	\$ -	\$ -	\$ 239,724
Depreciable capital assets				
Buildings and improvements	908,603	2,925	-	911,528
Construction in progress - infrastructure	61,863	1,242,259	-	1,304,122
Furniture and equipment	48,897	3,754	-	52,651
Infrastructure	178,951	-	-	178,951
Land improvements	38,917	-	(2,100)	36,817
Machinery and equipment	572,333	142,262	(39,860)	674,735
Site improvements	10,069	68,360	-	78,429
Vehicles	348,474	20,971	(25,616)	343,829
Total depreciable capital assets	2,168,107	1,480,531	(67,576)	3,581,062
Accumulated depreciation	(849,985)	(98,548)	61,009	(887,524)
Depreciable capital assets, net	1,318,122	1,381,983	(6,567)	2,693,538
Governmental activities, capital assets, net	<u>\$ 1,557,846</u>	<u>\$ 1,381,983</u>	<u>\$ (6,567)</u>	<u>\$ 2,933,262</u>
	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets:				
Land	\$ 51,650	\$ -	\$ -	\$ 51,650
Depreciable capital assets:				
Collection system	1,461,783	101,352	-	1,563,135
Land improvements	9,103	-	-	9,103
Machinery and equipment	162,667	-	(12,156)	150,511
Treatment facilities	440,416	-	-	440,416
Total depreciable capital assets	2,073,969	101,352	(12,156)	2,163,165
Accumulated depreciation	(943,617)	(40,830)	12,156	(972,291)
Depreciable capital assets, net	1,130,352	60,522	-	1,190,874
Business-type activities, capital assets, net	<u>\$ 1,182,002</u>	<u>\$ 60,522</u>	<u>\$ -</u>	<u>\$ 1,242,524</u>

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 8,735
Public safety	60,792
Public works	23,702
Recreation and culture	<u>5,319</u>
Total governmental activities	<u>\$ 98,548</u>

**Business-type activities:**

Sewer	<u>\$ 40,830</u>
Total business-type activities	<u>\$ 40,830</u>

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### NOTE 5: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the Village had deferred revenue of \$11,700 for fire protection fees for fiscal year 2009.

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### NOTE 6: LONG-TERM LIABILITIES

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The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Installment purchase agreements are also general obligations of the government.

Long-term liabilities at March 31, 2008 consisted of the following:

<i>Types of Indebtedness</i>	<i>Maturity</i>	<i>Interest Rates</i>	<i>Principal Installments</i>	<i>Original Issue Amount</i>	<i>Outstanding at Year-End</i>
<b>Governmental activities:</b>					
<i>General Obligation Bonds:</i>					
1996 Issue-Building Authority Bonds	6/1/96-6/1/16	5.60%	\$10,000-15,000	\$ 175,000	\$ 105,000
2007 Issue-General Obligation Bonds	6/1/08-6/1/27	4.375-5.375%	5,000-30,000	400,000	400,000
<i>Note Payable:</i>					
Fire Truck	12/15/02-12/15/07	4.10%	17,118	99,596	-
<i>Contract Payable:</i>					
Fire Equipment	9/1/07-9/1/09	0.00%	39,579	118,736	79,157

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

The following is a summary of long-term liabilities transactions for the year ended March 31, 2008:

	<u>April 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>March 31, 2008</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
1996 Issue - Building Authority Bonds	\$ 115,000	\$ -	\$ (10,000)	\$ 105,000	\$ 10,000
2007 Issue - General Obligation Bonds	-	400,000	-	400,000	5,000
Note Payable	17,118	-	(17,118)	-	-
Contract Payable	-	118,736	(39,579)	79,157	39,579
Total governmental activities					
- long-term liabilities	<u>\$ 132,118</u>	<u>\$ 518,736</u>	<u>\$ (66,697)</u>	<u>\$ 584,157</u>	<u>\$ 54,579</u>

Annual debt service requirements to maturity for the above debt obligations are as follows:

<i>Year Ended</i>	<i>Governmental Activities</i>		
<i>March 31,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 54,579	\$ 23,119	\$ 77,698
2010	54,578	22,305	76,883
2011	20,000	21,357	41,357
2012	20,000	20,274	40,274
2013	20,000	19,241	39,241
2014-2018	125,000	78,814	203,814
2019-2023	140,000	49,001	189,001
2024-2028	<u>150,000</u>	<u>16,407</u>	<u>166,407</u>
	<u>\$ 584,157</u>	<u>\$ 250,518</u>	<u>\$ 834,675</u>

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## NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>Receivables:</b>		
Property taxes	\$ 4,782	\$ -
Accounts	17,436	16,640
Intergovernmental	<u>85,685</u>	<u>-</u>
Total receivables	<u>\$ 107,903</u>	<u>\$ 16,640</u>
<b>Accounts payable and accrued expenses:</b>		
Accounts	\$ 20,069	\$ -
Payroll liabilities	35	-
Accrued interest	7,841	-
Deposits	125	-
Intergovernmental	<u>6</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 28,076</u>	<u>\$ -</u>



# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

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### NOTE 8: INTERFUND BALANCES AND TRANSFERS

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The composition of interfund receivable and payable balances at March 31, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Fund Financial Statements:</b>		
General Fund	Sewer Fund	\$ 9,767
Major Street Fund	General Fund	68
Major Street Fund	Local Street Fund	2,025
Local Street Fund	General Fund	15
Fire Department Fund	General Fund	9,009
Fire Department Fund	Fire Special Fund	2,247
Sewer Fund	Major Street Fund	230
Sewer Fund	Local Street Fund	124
Sewer Fund	Parks and Recreation Fund	567
Sewer Fund	Sidewalk Construction Fund	35
		<u>\$ 24,087</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
<b>Fund Financial Statements:</b>		
General Fund	Fire Department Fund	\$ 67,632
General Fund	Parks and Recreation Fund	93,307
General Fund	Sidewalk Fund	49,301
Local Street Fund	Major Street Fund	21,707
Fire Department Fund	Fire Special Fund	12,000
		<u>\$ 243,947</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# VILLAGE OF REESE

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2008

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### NOTE 9: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation) and certain medical benefits provided to employees.

The Village is a member of the Michigan Municipal League sponsored self insurance/public entity risk pool. The Village pays annual premiums to the respective pools for general liability, auto, and workers' compensation insurance coverage. The agreements for the formation of the Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund provide that pools will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limitations imposed by the pool. The Michigan Municipal General and Auto Liability Fund provide coverage of claims up to \$2 million per occurrence with reinsurance provided to cover amounts in excess of this limit. The Michigan Municipal Workers Compensation Fund provides coverage of claims up to \$500,000 per occurrence with reinsurance provided to cover amounts in excess of this limit.

The Michigan Municipal General and Auto Liability Fund and the Michigan Municipal Workers Compensation Fund have published their own financial reports which can be obtained by contacting the management of each pool.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 10: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### **Defined Contribution Pension Plan:**

The Village provides pension benefits for all of its employees through a defined contribution plan administered by Lincoln Financial Advisors. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after ½ year of service from the date of employment. Annual contributions to the plan are 10% of the annual earnings, excluding overtime and other extraordinary compensation, of the eligible participating employees. The Village's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. Voluntary employee contributions are not permitted under the terms of the plan.

The required and actual contribution for the year was \$21,178.

The plan holds no security of the employer or any related party.

#### **Post Employment Benefits:**

The Village provides no post employment benefits to retirees.

#### **Deferred Compensation Plan:**

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees who are full-time and permanent part-time over the age of 21, permits them to defer a portion of their current salary until future years.

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF REESE

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Over (Under)</i>
				<i>Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 285,852	\$ 285,852	\$ 298,819	\$ 12,967
State grants	139,948	139,948	143,370	3,422
Charges for services	133,094	133,094	137,796	4,702
Fines and forfeits	500	500	53	(447)
Interest and rents	44,547	44,547	64,205	19,658
Other revenue	15,489	15,489	31,187	15,698
Total revenues	619,430	619,430	675,430	56,000
<b>Expenditures:</b>				
Current				
General government	158,777	158,777	148,512	(10,265)
Public safety	155,475	155,475	149,133	(6,342)
Public works	242,500	242,500	234,340	(8,160)
Community and economic development	8,704	8,704	3,480	(5,224)
Recreation and culture	4,965	4,965	4,771	(194)
Other	3,866	4,291	4,147	(144)
Capital outlay	17,350	65,350	61,443	(3,907)
Debt service				
Principal	10,000	10,000	10,000	-
Interest and fees	7,433	7,433	6,430	(1,003)
Total expenditures	609,070	657,495	622,256	(35,239)
Excess (deficiency) of revenues over expenditures	10,360	(38,065)	53,174	91,239
<b>Other financing sources (uses):</b>				
Transfers from other funds	2,000	2,000	-	(2,000)
Transfers to other funds	(11,000)	(210,240)	(210,240)	-
Total other financing sources (uses)	(9,000)	(208,240)	(210,240)	(2,000)
Net change in fund balance	1,360	(246,305)	(157,066)	89,239
Fund balance, beginning of year	511,330	511,330	511,330	-
Fund balance, end of year	\$ 512,690	\$ 265,025	\$ 354,264	\$ 89,239

# VILLAGE OF REESE

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## *SPECIAL REVENUE FUND – FIRE DEPARTMENT FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2008

	<b><i>Budgeted Amounts</i></b>			<b><i>Actual Over (Under) Final Budget</i></b>
	<b><i>Original</i></b>	<b><i>Final</i></b>	<b><i>Actual</i></b>	
<b>Revenues:</b>				
Contributions from other units	\$ 33,771	\$ 33,771	\$ 27,488	\$ (6,283)
Interest and rents	-	-	665	665
Other revenue	-	-	655	655
Total revenues	<u>33,771</u>	<u>33,771</u>	<u>28,808</u>	<u>(4,963)</u>
<b>Expenditures:</b>				
Current				
Public safety	48,297	45,007	40,044	(4,963)
Capital outlay	1,475	142,048	142,048	-
Debt service				
Principal	-	39,579	39,579	-
Total expenditures	<u>49,772</u>	<u>226,634</u>	<u>221,671</u>	<u>(4,963)</u>
Excess (deficiency) of revenues over expenditures	<u>(16,001)</u>	<u>(192,863)</u>	<u>(192,863)</u>	<u>-</u>
<b>Other financing sources:</b>				
Proceeds from bond	-	118,736	118,736	-
Transfers from other funds	19,971	67,632	67,632	-
Transfers to other funds	<u>(12,000)</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Total other financing sources	<u>7,971</u>	<u>174,368</u>	<u>174,368</u>	<u>-</u>
Net change in fund balance	(8,030)	(18,495)	(18,495)	-
Fund balance, beginning of year	<u>18,495</u>	<u>18,495</u>	<u>18,495</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

**Revenues:**

***Current Taxes:***

Property taxes	\$ 292,544
Trailer tax	627
Penalties and interest on taxes	2,155
Administration fees	3,493
	<u>298,819</u>

***State Grants:***

Liquor license fees	1,210
State revenue sharing - sales tax	136,660
Police	5,500
	<u>143,370</u>

***Charges for services:***

Refuse collection fees	117,218
Police services and reports	275
Charges to other funds	20,303
	<u>137,796</u>

***Fines and forfeits:***

Ordinance fines	<u>53</u>
-----------------	-----------

***Interest and rents:***

Interest	17,662
Equipment rental	40,571
Rents	5,972
	<u>64,205</u>

***Other Revenue:***

Proceeds from sale of capital assets	3
Reimbursements	12,720
Other	18,464
	<u>31,187</u>

Total revenues	<u>\$ 675,430</u>
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# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

**Expenditures:**

**General Government:**

*Council:*

Personnel	\$ 2,880
Fringe benefits	220
Insurance	690
Other	1,197
	<u>4,987</u>

*President:*

Personnel	1,300
Fringe benefits	99
	<u>1,399</u>

*Manager:*

Personnel	52,125
Fringe benefits	22,181
Supplies	228
Telephone	397
Dues and memberships	414
Insurance	11
Other	1,583
	<u>76,939</u>

*Clerk:*

Personnel	31,346
Fringe benefits	4,864
Supplies	1,811
Contracted services	626
Telephone	1,565
Dues and memberships	1,210
Printing and publications	282
Insurance	361
Repairs and maintenance	1,167
Other	1,476
	<u>44,708</u>

*Audit:*

Contracted services	<u>2,984</u>
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*Treasurer:*

Personnel	2,808
Fringe benefits	215
Supplies	522
Contracted services	655
Other	272
	<u>4,472</u>



# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

**Expenditures, continued:**

***General Government, continued:***

*Building and Grounds:*

Supplies	1,690
Insurance	553
Utilities	4,968
Repairs and maintenance	3,472
	<u>10,683</u>

*Attorney:*

Contracted services	<u>2,340</u>
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Total general government	<u>148,512</u>
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***Public Safety:***

*Police:*

Personnel	89,128
Fringe benefits	42,664
Supplies	8,519
Telephone	1,745
Conferences and workshops	1,113
Insurance	4,078
Repairs and maintenance	1,339
Other	547
	<u>149,133</u>

***Public Works:***

*Department of Public Works:*

Personnel	22,872
Fringe benefits	27,657
Supplies	6,513
Telephone	794
Insurance	3,676
Utilities	2,946
Repairs and maintenance	4,867
Other	839
	<u>70,164</u>

*Drains:*

Contracted services	<u>8,714</u>
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*Street Lighting:*

Utilities	<u>38,959</u>
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# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

**Expenditures, continued:**

***Public Works, continued:***

*Garbage and Yard Waste:*

Personnel	3,682
Fringe benefits	282
Contracted services	102,646
Insurance	280
Equipment rental	8,920
	<u>115,810</u>

*Other:*

Equipment rental	454
Other	239
	<u>693</u>

Total public works	<u>234,340</u>
--------------------	----------------

***Community and Economic Development:***

*Planning:*

Personnel	320
Fringe benefits	25
Supplies	793
Contracted services	342
	<u>1,480</u>

*Economic Development:*

Other	<u>2,000</u>
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Total community and economic development	<u>3,480</u>
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***Recreation and Culture:***

*Parks and Recreation:*

Personnel	846
Fringe benefits	65
Supplies	281
Contracted services	625
Insurance	40
Utilities	207
Repairs and maintenance	3
Equipment rental	2,704
	<u>4,771</u>

*Other:*

Insurance	3,740
Tax tribunal refunds ordered	407
	<u>4,147</u>

# VILLAGE OF REESE

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended March 31, 2008

**Expenditures, continued:**

***Capital Outlay:***

General government	5,222
Public safety	29,204
Public works	27,017
	<u>61,443</u>

***Debt Service:***

Principal	10,000
Interest and fees	6,430
	<u>16,430</u>

Total expenditures	<u>622,256</u>
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**Other Financing Uses:**

Transfers to other funds	<u>210,240</u>
Total expenditures and other financing uses	<u><u>\$ 832,496</u></u>

# VILLAGE OF REESE

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

March 31, 2008

	<i><b>Major Street Fund</b></i>	<i><b>Local Street Fund</b></i>	<i><b>Fire Special Fund</b></i>	<i><b>Parks and Recreation Fund</b></i>	<i><b>Park 125 Anniversary Fund</b></i>
<b>Assets:</b>					
Cash and cash equivalents	\$ 51,401	\$ 50,700	\$ 34,285	\$ 5,685	\$ 318
Taxes receivable	-	-	362	-	-
Due from other governmental units	39,780	17,728	-	10,000	-
Due from other funds	<u>2,093</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 93,274</u></u>	<u><u>\$ 68,443</u></u>	<u><u>\$ 34,647</u></u>	<u><u>\$ 15,685</u></u>	<u><u>\$ 318</u></u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 1	\$ -	\$ 1,935	\$ -
Due to other funds	230	2,149	2,247	567	-
Deposits payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>-</u>
Total liabilities	<u>230</u>	<u>2,150</u>	<u>2,247</u>	<u>2,627</u>	<u>-</u>
<b>Fund balances:</b>					
Unreserved:					
Special revenue funds	<u>93,044</u>	<u>66,293</u>	<u>32,400</u>	<u>13,058</u>	<u>318</u>
Total fund balances	<u>93,044</u>	<u>66,293</u>	<u>32,400</u>	<u>13,058</u>	<u>318</u>
Total liabilities and fund balances	<u><u>\$ 93,274</u></u>	<u><u>\$ 68,443</u></u>	<u><u>\$ 34,647</u></u>	<u><u>\$ 15,685</u></u>	<u><u>\$ 318</u></u>

<i><b>Sidewalk Construction Fund</b></i>	<i><b>Total Nonmajor Governmental Funds</b></i>
\$ - 353	\$ 142,389 715
-	67,508
-	2,108
<u>\$ 353</u>	<u>\$ 212,720</u>

\$ -	\$ 1,936
35	5,228
-	125
<u>35</u>	<u>7,289</u>

<u>318</u>	<u>205,431</u>
<u>318</u>	<u>205,431</u>
<u>\$ 353</u>	<u>\$ 212,720</u>

# VILLAGE OF REESE

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2008

	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Fire Special Fund</i>	<i>Parks and Recreation Fund</i>	<i>Park 125 Anniversary Fund</i>
<b>Revenues:</b>					
Property taxes	\$ -	\$ -	\$ 26,337	\$ -	\$ -
State grants	87,662	25,887	-	-	-
Contributions from other units	26,172	13,020	-	-	-
Interest and rents	2,731	2,628	986	7,338	-
Other revenue	<u>109</u>	<u>50</u>	<u>7,214</u>	<u>14,250</u>	<u>60</u>
Total revenues	<u>116,674</u>	<u>41,585</u>	<u>34,537</u>	<u>21,588</u>	<u>60</u>
<b>Expenditures:</b>					
Current					
Public safety	-	-	17,294	-	-
Public works	82,256	24,183	-	-	-
Recreation and culture	-	-	-	36,148	-
Capital outlay	97,784	-	4,455	73,894	-
Debt service					
Principal	-	-	17,118	-	-
Interest and fees	<u>8,900</u>	<u>-</u>	<u>702</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>188,940</u>	<u>24,183</u>	<u>39,569</u>	<u>110,042</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(72,266)</u>	<u>17,402</u>	<u>(5,032)</u>	<u>(88,454)</u>	<u>60</u>
<b>Other financing sources (uses):</b>					
Transfers in from other funds	21,707	-	12,000	93,307	-
Transfers out to other funds	<u>-</u>	<u>(21,707)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>21,707</u>	<u>(21,707)</u>	<u>12,000</u>	<u>93,307</u>	<u>-</u>
Net change in fund balances	(50,559)	(4,305)	6,968	4,853	60
Fund balances, beginning of year	<u>143,603</u>	<u>70,598</u>	<u>25,432</u>	<u>8,205</u>	<u>258</u>
Fund balances, end of year	<u>\$ 93,044</u>	<u>\$ 66,293</u>	<u>\$ 32,400</u>	<u>\$ 13,058</u>	<u>\$ 318</u>

<i><b>Sidewalk Construction Fund</b></i>	<i><b>Total Nonmajor Governmental Funds</b></i>
\$ 25,716	\$ 52,053
-	113,549
-	39,192
245	13,928
-	21,683
<u>25,961</u>	<u>240,405</u>
-	17,294
5,790	112,229
-	36,148
121,893	298,026
-	17,118
-	9,602
<u>127,683</u>	<u>490,417</u>
<u>(101,722)</u>	<u>(250,012)</u>
49,301	176,315
-	(21,707)
<u>49,301</u>	<u>154,608</u>
(52,421)	(95,404)
<u>52,739</u>	<u>300,835</u>
<u>\$ 318</u>	<u>\$ 205,431</u>

# VILLAGE OF REESE

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## GOVERNMENTAL ACTIVITIES SCHEDULE OF INDEBTEDNESS

March 31, 2008

### BUILDING AUTHORITY BOND SERIES 1996, GENERAL OBLIGATION BOND

Issue dated May 1, 1996 in the amount of	\$	175,000
Less:		
Principal paid in prior years		(60,000)
Principal paid in current year		<u>(10,000)</u>
Balance payable at March 31, 2008	\$	<u>105,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due June 1</i>	<i>Interest due June 1</i>	<i>Interest due December 1</i>	<i>Total Annual Requirement</i>
2009	5.60%	\$ 10,000	\$ 2,862	\$ 2,591	\$ 15,453
2010	5.60%	10,000	2,590	2,318	14,908
2011	5.60%	10,000	2,318	2,045	14,363
2012	5.60%	10,000	2,045	1,772	13,817
2013	5.60%	10,000	1,772	1,500	13,272
2014	5.60%	10,000	1,500	1,226	12,726
2015	5.60%	15,000	1,227	818	17,045
2016	5.60%	15,000	818	409	16,227
2017	5.60%	<u>15,000</u>	<u>409</u>	<u>-</u>	<u>15,409</u>
		\$ 105,000	\$ 15,541	\$ 12,679	\$ 133,220

Note: This general obligation bond is paid from the General Fund.

### NOTE PAYABLE - FIRE TRUCK

Issue dated October 26, 2001 in the amount of	\$	99,596
Less:		
Principal paid in prior years		(82,478)
Principal paid in current year		<u>(17,118)</u>
Balance payable at March 31, 2008	\$	<u>-</u>

Note: This note payable is paid from the Fire Special Fund.



# VILLAGE OF REESE

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*GOVERNMENTAL ACTIVITIES*  
**SCHEDULE OF INDEBTEDNESS**  
March 31, 2008

**CONTRACT PAYABLE - FIRE EQUIPMENT**

Issue dated September 1, 2007 in the amount of	\$ 118,736
Less: Principal paid in prior years	-
Principal paid in current year	<u>(39,579)</u>
Balance payable at March 31, 2008	<u>\$ 79,157</u>

Balance payable as follows:

<i><u>Fiscal</u></i> <i><u>Year Ended</u></i>	<i><u>Interest</u></i> <i><u>Rate</u></i>	<i><u>Principal due</u></i> <i><u>September 1</u></i>
2009	0.00%	\$ 39,579
2010	0.00%	<u>39,578</u>
		<u>\$ 79,157</u>

Note: This contract payable to Blumfield Township is paid from the Fire Department Fund.

*GOVERNMENTAL ACTIVITIES*

**SCHEDULE OF INDEBTEDNESS**

March 31, 2008

**GENERAL OBLIGATION LIMITED TAX BONDS, SERIES 2007**

Issue date June 1, 2007 in the amount of	\$ 400,000
Less: Principal paid in prior years	-
Principal paid in current year	-
Balance payable at March 31, 2008	<u>\$ 400,000</u>

Balance payable as follows:

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Principal due June 1</i>	<i>Interest due June 1</i>	<i>Interest due December 1</i>	<i>Total Annual Requirement</i>
2009	5.375%	\$ 5,000	\$ 8,900	\$ 8,766	\$ 22,666
2010	5.375%	5,000	8,766	8,631	22,397
2011	5.375%	10,000	8,631	8,363	26,994
2012	5.375%	10,000	8,363	8,094	26,457
2013	4.375%	10,000	8,094	7,875	25,969
2014	4.375%	10,000	7,875	7,656	25,531
2015	4.375%	10,000	7,656	7,437	25,093
2016	4.375%	10,000	7,437	7,219	24,656
2017	4.375%	20,000	7,219	6,781	34,000
2018	4.375%	20,000	6,781	6,344	33,125
2019	4.375%	20,000	6,344	5,906	32,250
2020	4.375%	30,000	5,906	5,250	41,156
2021	4.375%	30,000	5,250	4,594	39,844
2022	4.375%	30,000	4,594	3,937	38,531
2023	4.375%	30,000	3,937	3,281	37,218
2024	4.375%	30,000	3,281	2,625	35,906
2025	4.375%	30,000	2,625	1,969	34,594
2026	4.375%	30,000	1,969	1,313	33,282
2027	4.375%	30,000	1,313	656	31,969
2028	4.375%	30,000	656	-	30,656
		<u>\$ 400,000</u>	<u>\$ 115,597</u>	<u>\$ 106,697</u>	<u>\$ 622,294</u>

Note: This general obligation bond is to be paid from the Major Street Fund.



## **REQUIRED COMMUNICATION TO THE VILLAGE OF REESE IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Village Council  
Village of Reese

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Reese for the year ended March 31, 2008, and have issued our report thereon dated June 11, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated August 4, 2005, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Reese are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit as follow:

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 11, 2008.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Matters**

In planning and performing our audit of the financial statements of the Village of Reese as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Reese's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

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This communication is intended solely for the information and use of management, Village Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

June 11, 2008